

1 for Ripple Labs to enforce that.

2 Q. Were you aware of instances where the
3 lockup requirement was disregarded by the XRP
4 recipient?

5 MR. HORTON: Objection to form.

6 A. I can't think of any instance like that.

7 Q. Okay. You say in the next paragraph in
8 your e-mail "This wholesale revenue has been a
9 reliable stream of funding for RL."

10 Do you see that?

11 A. Yes, I do see it.

12 Q. Okay. And when you say "RL," you're
13 referring to Ripple Labs?

14 A. Yes.

15 Q. So was -- was Ripple using the -- the
16 revenues from over-the-counter XRP sales to fund
17 its business?

18 A. I did not have visibility into the
19 monthly or even six-month or annual financial
20 situation of the company; but based on this e-mail
21 and some of the others that you've shown me, it
22 seems reasonable to assume that was the case.

23 Q. Well, at the time that you wrote this
24 e-mail, what was your basis for it?

25 A. I don't recall.

1 Q. Okay. Then you say "After a Series A
2 round, we are contemplating to discontinue the
3 wholesale activities, as there will be less
4 short-term funding concerns."

5 Do you see that?

6 A. I do.

7 Q. Okay. What is a Series A round?

8 A. A Series A round is a venture capital
9 funding round that typically follows a seed round.

10 Q. Okay. And was there, at this time in
11 2014, a Series A round?

12 A. A Series A round did occur. I don't
13 recall the timing of that without researching it.

14 Q. And -- and is it -- is it accurate
15 that -- that Ripple was -- was contemplating
16 discontinuing over-the-counter sales after this
17 Series A round as you say here in your e-mail?

18 A. I don't have independent recollection of
19 that, but in PR-27, [REDACTED] says "Post A round
20 I think is the key," and that implies that that
21 was the case.

22 THE REPORTER: I'm sorry. Can
23 you repeat that answer?

24 A. I said I don't have a independent
25 recollection of that, but in Exhibit PR-27, [REDACTED]

1 [REDACTED] says "Post A round I think is the key," and
2 that implies that that's true.

3 Q. And did Ripple, in fact, stop doing
4 over-the-counter sales after the Series A round?

5 MR. HORTON: Objection to form.

6 A. I don't recall and I don't believe I
7 would have had the information available when I
8 was an employee.

9 Q. You go on to say "We think this will
10 have two positive effects." We -- "One, we will
11 push all XRP demand into the market which will
12 have a positive impact on the price, and, two,
13 this will add to market volumes."

14 Do you see that?

15 A. Yes.

16 Q. And is this similar to what we were
17 talking about earlier about -- about increasing
18 both price and volume and therefore increasing
19 liquidity of XRP?

20 A. Yes, this is the same concept we
21 discussed earlier.

22 Q. Okay. And later in this e-mail on this
23 page, sort of the second-to-last paragraph, the
24 last sentence, you say "In order to fix this
25 issue, we have now discontinued the discount. We

1 now sell XRP to wholesalers at the market price."

2 Do you see that?

3 A. Yes.

4 Q. Okay. And was this accurate at this
5 time in August 2014?

6 A. I don't recall. I assume that I
7 believed it to be accurate when I wrote the
8 sentence.

9 MS. STEWART: Okay. The next
10 exhibit is PR-32.

11 (Whereupon, exhibit is presented
12 and marked SEC Rapoport Exhibit PR-32 for
13 identification.)

14 MS. STEWART: And this Exhibit 32
15 is Bates numbered [REDACTED] Ripple 0002422
16 through 428.

17 (Pause)

18 A. Okay. I've reviewed this.

19 BY MS. STEWART:

20 Q. Okay. Who's [REDACTED]?

21 A. [REDACTED] is the founder and I
22 believe the CEO of [REDACTED].

23 Q. And what is [REDACTED]?

24 A. [REDACTED] has a variety of
25 businesses, but I think it's primarily known for

1 being a -- the best venture capital firm these
2 days.

3 Q. Well, did [REDACTED] have a
4 relationship with Ripple Labs?

5 A. My understanding is that [REDACTED]
6 was a seed investor in Ripple Labs.

7 Q. So in the very bottom e-mail in this
8 chain, which is a July 19, 2014 e-mail from
9 Mr. Larsen to Mr. [REDACTED] and you, Mr. Larsen lays
10 out what he calls "the terms we're using now for
11 large blocks of XRP."

12 Do you see that?

13 A. Yes.

14 Q. And he goes on to say "We are in the
15 process of putting together a block purchase for
16 some hedge fund investors with these same terms.
17 Our thinking behind the discount/lockup is to
18 reward investors who share our long-term view."

19 Do you see that?

20 A. Yes.

21 Q. Okay. Do you know what Mr. Larsen is
22 referring to when he says "a block purchase for
23 some hedge fund investors with these same terms"?

24 A. I have a vague and general recollection
25 of discussing a transaction with a group of hedge

1 fund investors, but I don't believe it ever moved
2 forward.

3 Q. And was -- was that -- was that
4 discussion around the same time in 2014?

5 A. It's difficult for me to say the timing
6 with certainty, but I think that makes sense.

7 Q. And was the -- was the purpose of the
8 transactions that you were discussing at that time
9 with hedge fund investors, was the purpose to
10 reward investors who shared Ripple's long-term
11 view?

12 MR. HORTON: Objection to form.

13 A. I think the purpose would have been to
14 provide a vehicle for people to get exposure to
15 the price of XRP.

16 Q. What was Ripple's long-term view in
17 2014?

18 MR. HORTON: Objection to form.

19 A. I don't -- can't speak for the views of
20 all the different individuals at the company; but
21 I shared my personal view, which is that there was
22 a high probability of going to zero and a low
23 probability of an exponentially high outcome.

24 Q. Do you know what Mr. Larsen's view was
25 about -- what Mr. Larsen's long-term view was for

1 Ripple?

2 A. I don't know his view.

3 Q. And when you spoke two answers ago about
4 your personal view of the high probability of
5 going to zero and the low probab -- probability of
6 an exponentially high outcome, you were referring
7 to the price of XRP?

8 MR. HORTON: Object to the form.

9 A. I would -- that view applies to both the
10 price of XRP, Ripple Labs, Inc., and in general
11 any early stage investment where there's potential
12 for high outcomes. I think risk and reward are
13 related. And you don't see 100X potential
14 outcomes without a high probability of going to
15 zero.

16 Q. Okay. Now, the -- the terms that
17 Mr. Larsen is laying out in his e-mail here
18 include a two-year lockup.

19 Do you see that?

20 A. Yes.

21 Q. Okay. And what was the purpose of -- of
22 this lockup?

23 MR. GULAY: Objection;
24 foundation.

25 A. I can't be certain what Chris meant when

1 he wrote this e-mail; but in general, as we
2 discussed earlier, it was problematic to sell XRP
3 at a discount without a lockup because the buyer
4 would be attempted to go and sell at the market
5 price after purchasing at a discount pretty
6 shortly thereafter.

7 Q. So did the lockup allow Ripple to
8 control the liquidity of XRP?

9 MR. HORTON: Objection to form.

10 MR. GULAY: Objection;
11 foundation.

12 MS. BUNTING: Objection.

13 A. My understanding of the purpose of this
14 type of lockup is to prevent the discounted buyer
15 from immediately harming both the liquidity and
16 the price in the market.

17 Q. Okay. Going to your e-mail on the very
18 first page of this document, PR-32, sort of in the
19 middle of the page, you say "This is partially why
20 we're interested in selling a block of XRP to
21 hedge fund investors for future funding (as
22 opposed to selling equity to VC investors)."

23 Do you see that?

24 A. Yes.

25 Q. And then you say "We think the HF

1 investor class will pay closer to market price in
2 exchange for a more defined (two-year) lockup
3 term, while also not diluting RL equity holders."

4 Do you see that?

5 A. Yes.

6 Q. Okay. What did you mean by that
7 sentence?

8 A. If a publicly traded gold company had a
9 market capitalization of a billion dollars but
10 held gold holdings of fifty billion dollars, I
11 think prudent management, if it needed to raise
12 money, would sell the gold assets rather than
13 diluting equity holders. And I viewed the same to
14 be true for Ripple Labs at this point in time
15 based on this e-mail.

16 Q. And your reference in the first sentence
17 to "a block of XRP to hedge fund investors," these
18 are over-the-counter transactions that you're
19 referring to?

20 A. This was a hypothetical transaction
21 which was discussed in various formats, but I
22 don't believe it ever proceeded.

23 Q. And then you go on to say "Side note:
24 If you're contemplating an XRP investment vehicle
25 for outside investors, this is something we'd love

1 to cooperate with you on. We're already in motion
2 here."

3 Do you see that?

4 A. Yes.

5 Q. What did you mean by "We're already in
6 motion here"?

7 A. We had ongoing thought process and
8 discussion around how that might look, but I would
9 describe it as fairly exploratory in early stages
10 based on my recollection and based on the fact
11 that I don't believe it ever proceeded.

12 Q. It never proceeded with Mr. [REDACTED]
13 firm or -- or more generally?

14 A. What I was ref -- referencing in this
15 e-mail never proceeded.

16 Q. Okay. What were you referencing in this
17 e-mail?

18 A. Some form of vehicle which would allow a
19 number of hedge fund investors to get exposure to
20 the price of XRP.

21 Q. And were you in discussions with one or
22 more firms about such vehicle at this time?

23 A. Over the time -- over my tenure at the
24 company, I had discussions with a number of firms
25 about this topic and similar topics. I don't

1 recall at this point in time how many firms or who
2 I was speaking with.

3 Q. Would the purpose of this kind of fund
4 be to speculate on the price of XRP?

5 MR. HORTON: Objection.

6 MR. GULAY: Objection.

7 MS. BUNTING: Objection.

8 A. Any time someone owns an asset that
9 fluctuates in price, I would call that speculating
10 on the price of the asset. So if the purpose of
11 this hypothetical structure was to provide
12 exposure to the price of XRP, then the answer is
13 yes.

14 Q. At the top of this e-mail, in response
15 to a question that I think you had copied over
16 from Mr. [REDACTED], where it says "What has" ribble
17 -- "Ripple Labs communicated publicly about the
18 plans for the 72 billion XRP held by the company?"
19 Do you see that question?

20 A. Yes.

21 Q. And then you copy in a response, a
22 paragraph here that starts with "Distributing
23 value is a powerful way to incentivize certain
24 behaviors."

25 Do you see that?

1 A. Yes.

2 Q. Is it accurate that -- that this
3 statement that you have in your e-mail was -- was
4 communicated publicly by Ripple?

5 A. Yes, I believe this was a copy-paste
6 from the public-facing website.

7 Q. Okay.

8 MR. HORTON: Counsel, can we take
9 a break?

10 MS. STEWART: Sure.

11 THE VIDEOGRAPHER: Going off the
12 record at 2:06.

13 (Whereupon, a recess is taken.)

14 THE VIDEOGRAPHER: We're back on
15 at 2:19.

16 MS. STEWART: Can we go off the
17 record for a second?

18 THE VIDEOGRAPHER: Going off at
19 2:19.

20 (Pause)

21 THE VIDEOGRAPHER: Okay. Back
22 on, 2:19.

23 MS. STEWART: Okay. So we're
24 going to hand out two exhibits, Exhibits
25 PR-36 and PR-37.

1 (Whereupon, exhibit is presented
2 and marked SEC Rapoport Exhibit PR-36 for
3 identification.)

4 (Whereupon, exhibit is presented
5 and marked SEC Rapoport Exhibit PR-37 for
6 identification.)

7 MS. STEWART: And PR-36 is Bates
8 numbered RPLI_SEC 842466 through 467. And
9 PR-37 is Bates numbered RPLI_SEC 539465
10 through 511.

11 (Pause)

12 A. I briefly reviewed it.

13 BY MS. STEWART:

14 Q. I'm sorry?

15 A. I -- I didn't review the whole thing,
16 but I reviewed it generally.

17 Q. Okay. Okay. So looking first at
18 Exhibit 37, can you tell me what this document is?

19 A. This was a more in-depth primer aimed at
20 the finance professionals as the title implies.

21 Q. Okay. And were you an author of this
22 document?

23 A. Yes.

24 Q. What was the purpose of this document?

25 A. In contrast to the prior document, which

1 I think was gener -- the prior primer we looked
2 at, which was generally geared towards any
3 nontechnical person that wanted to learn about
4 Ripple, this was a more in-depth document intended
5 for an audience that is a financial professional,
6 someone that works in financial markets --

7 Q. Okay.

8 A. -- or banking.

9 Q. And whose idea was it to create this
10 document?

11 A. I can't remember whose idea it was
12 initially.

13 Q. Did anyone direct you to create this
14 document?

15 A. I can't remember if it was a purely
16 self-starting idea, but -- I don't remember
17 whether or not I was directed to create it or not.

18 Q. Who actually, you know, wrote the words
19 in the document?

20 A. I was the primary author, but a number
21 of people collaborated on it.

22 Q. Okay. Who is [REDACTED]?

23 A. He was someone I engaged as a consultant
24 that I knew from his role as a research analyst on
25 Wall Street.

1 THE REPORTER: From?

2 THE WITNESS: On Wall Street.

3 Q. And was Mr. [REDACTED] at [REDACTED]?

4 A. Yes.

5 Q. Okay. How did he contribute to this
6 document?

7 A. He wrote pieces of it.

8 Q. Okay. And Patrick Griffin is listed as
9 an author on the last page of the document, on
10 page 47.

11 Do you see that?

12 A. Yes.

13 Q. What was his role in creating this
14 document?

15 A. He provided feedback and input on the
16 document.

17 Q. So before this document was finalized,
18 who at Ripple reviewed the document?

19 A. Patrick certainly did. I don't recall
20 if others did as well.

21 Q. Did everyone listed as an author on the
22 document on page 47 review it?

23 A. Yes.

24 Q. Okay. Did Mr. Larsen review the
25 document before it was finalized?

1 A. I don't --

2 MS. BUNTING: Objection.

3 A. I don't recall whether he did or didn't.

4 Q. Do you -- do you recall discussing the
5 document with Mr. Larsen?

6 A. I don't recall whether I did or didn't.

7 Q. Did you discuss the document with
8 Mr. Griffin?

9 A. Yes.

10 Q. And what did you discuss with
11 Mr. Griffin?

12 A. I discussed the substance and concepts
13 of the document extensively with him. It took
14 a -- a long time to write as you can imagine.

15 Q. How long did it take?

16 A. I can't say exactly, but it's a 45-page
17 document.

18 Q. So several weeks?

19 A. The work continued over the period of
20 several weeks, yes.

21 Q. Okay. And did you distribute this
22 document to -- to potential investors?

23 MR. GULAY: Objection to form.

24 MR. HORTON: Objection.

25 A. The intended audience was people in

1 finance and banking who wanted to learn about the
2 Ripple technology, so we distributed it to that
3 audience and I believe it was also publicly
4 available for people that wanted to download it
5 online.

6 Q. Where was it publicly available?

7 A. If I recall correctly, it was on
8 ripple.com behind the prompts where you have to
9 put your e-mail address in.

10 Q. Okay. And this audience that you're
11 referring to who wanted to learn about the Ripple
12 technology, how large an audience was this?

13 A. Hundreds of people.

14 Q. Did you distribute this document to
15 those hundreds of people?

16 A. People could pull it down from the
17 website proactively and we also actively
18 distributed it to a large number of people.

19 Q. Do you know how large a number you
20 distributed the document to actively?

21 A. I would say over a hundred, but I --
22 that's an estimate given how much time has passed.

23 Q. Did you discuss with Mr. Larsen that
24 this document was being broadly distributed?

25 MS. BUNTING: Objection.

1 A. I don't recall whether I discussed this
2 document with Mr. Larsen.

3 Q. Did you -- did you mention a minute ago
4 that -- that people had to input their e-mail into
5 the Ripple address --

6 A. Yes.

7 Q. -- the Ripple website to pull this
8 document?

9 A. Yes.

10 Q. Did Ripple collect those e-mail
11 addresses?

12 MR. GULAY: Objection.

13 A. I'm not sure if they did or didn't.

14 Q. So looking now at Exhibit 36, is this an
15 instance of you actively distributing this
16 document?

17 A. Yes.

18 Q. Okay. And -- and what is [REDACTED]

19 [REDACTED]

20 A. It is a market-making firm.

21 Q. And at the time that you sent this
22 document to [REDACTED], did Ripple have a
23 relationship with [REDACTED]?

24 MR. GULAY: Objection. What do
25 you mean by "a relationship with"?

1 MS. STEWART: I mean a business
2 relationship.

3 A. [REDACTED] was a market maker on the
4 Ripple network that received compensation in
5 exchange for market-making services. I don't
6 recall as of this date whether that relationship
7 was formalized or not without looking into it
8 further.

9 Q. Okay. And why did you send this
10 document to [REDACTED]?

11 A. I believed this was a relevant document
12 for anyone in banking or finance that had an
13 interest in Ripple to see.

14 Q. Okay. Now I want to go through some of
15 the statements in the document itself. So back to
16 PR-37.

17 MR. GULAY: I just want to point
18 out for the record that PR-37 is not
19 attached to PR-36 and PR-36 only contains
20 a link to the report and PR-37 is a
21 stand-alone report that may or may not be
22 the final version.

23 MR. HECKER: I'll just add that
24 PR-37 appears to postdate the e-mail in
25 PR-36. PR-36 is an August date and PR-37

1 is a September date.

2 BY MS. STEWART:

3 Q. Okay. Mr. Rapoport, having reviewed
4 PR-37, is there anything in the document that
5 makes you think that this is not the final
6 version?

7 A. The different dates in August of 2014,
8 the e-mail, and September 2014 on the document,
9 lead me to believe that this was a living document
10 and that there was a continued iteration after the
11 first publicly released version.

12 Q. Did you continue to edit the document
13 after the first publicly released version?

14 A. I don't recall specifically, but it
15 likely would have been me.

16 Q. Do you recall making significant changes
17 to the document after its first public
18 distribution?

19 A. I don't remember the number of changes
20 and how material they were.

21 Q. Okay. So as we go through this -- this
22 version that we've marked PR -- PR-37, I'll ask
23 you if you do recall changes that occurred after
24 this document, if you can just tell me -- tell me
25 what those changes were. Okay?

1 A. Okay. I'm unlikely to recall specifics
2 of changes.

3 Q. Understood.

4 Okay. So if we can first look at page
5 17 of the document, which is Bates numbered 481.

6 Okay. So here in the -- in the third
7 paragraph -- or I guess the fourth paragraph that
8 starts with "Historically," do you see that?

9 A. Yes.

10 Q. So here it says, the second sentence,
11 "The Ripple protocol, however, could in fact be
12 monetized through its native currency, XRP."

13 Do you see that?

14 A. Yes.

15 Q. Did you write this sentence?

16 A. There were multiple authors so I'm not
17 certain who wrote what text, but I was a primary
18 author on the paper.

19 Q. Okay. Was this sentence accurate as of
20 2014?

21 A. It's a little awkwardly worded. I'm not
22 totally sure what the intention of the word
23 "monetized" was here, so I'm having trouble saying
24 whether it's accurate.

25 Q. Are you done with your answer or are you

1 thinking?

2 A. I find it difficult to answer that
3 question with a yes/no.

4 Q. Okay. What is -- sitting here today
5 reading this, what's your understanding of what
6 this sentence is trying to say?

7 A. I'll read the preceding sentence. The
8 preceding sentence says "Historically, information
9 protocols, like http and SMTP, were impossible to
10 monetize directly. Ripple Labs is not a financial
11 service provider and thus does not charge for
12 using the network. The Ripple protocol, however,
13 could, in fact, be monetized through its native
14 currency, XRP."

15 I think the intent of this paragraph or
16 those three sentences is to indicate that http and
17 SMTP did not have a native asset that someone
18 could purchase within those -- within those
19 protocols and the Ripple protocol does have an
20 asset that someone can purchase as part of that --
21 as part of the protocol.

22 Q. Okay. So an asset that someone could
23 purchase and -- and make money off of?

24 A. It's an asset that fluctuates in price,
25 so, yes.

1 Q. Going back up to the paragraph that
2 starts with "First" on the same page.

3 A. Yes.

4 Q. So you say "Ripple Labs" -- or the
5 document says, I should say. The document says
6 "Ripple Labs builds new tools to allow developers
7 to build user friendly applications."

8 Do you see that?

9 A. Yes.

10 Q. And was this statement accurate at the
11 time?

12 A. Yes.

13 Q. And then that paragraph goes on to say
14 "Ripple Labs pursues partnerships to expand the
15 Ripple network of financial institutions, users
16 and market makers, providing APIs to access the
17 protocol."

18 Do you see that?

19 A. Yes.

20 Q. And was this sentence accurate at the
21 time?

22 A. Yes.

23 Q. And the next paragraph says "Ripple Labs
24 has raised capital from some of the leading
25 venture capital and technology firms."

1 Do you see that?

2 A. Yes.

3 Q. And was this sentence accurate at the
4 time?

5 A. Yes.

6 Q. And the next sentence that says "In
7 addition, Ripple Labs continues to" address --
8 "attract a diverse set of talented individuals."

9 Do you see that sentence?

10 A. Yes, I do.

11 Q. Was this sentence accurate at the time?

12 A. Yes.

13 Q. Okay. And then going to the last
14 paragraph on this page, "Ripple Labs plans to
15 retain 25 percent of all XRP issued to fund
16 operations (and hopefully turn a profit) and
17 distribute the rest to incent the participation of
18 market makers, gateways, and consumers to utilize
19 the protocol."

20 Do you see that?

21 A. I do.

22 Q. And was this sentence accurate at the
23 time?

24 A. Yes.

25 Q. And then it goes on to say "Given that

1 there is a finite number of XRP, as demand for XRP
2 grows, the value of XRP should appreciate."

3 Was this sentence accurate at the time?

4 A. I think that's a logically true sentence
5 ahead of time, yes.

6 Q. Okay. And then the paragraph closes
7 with "In this manner, Ripple Labs believes that
8 its incentives are aligned with those of protocol
9 users - both want the protocol to reach its full
10 potential and scale."

11 Do you see that?

12 A. Yes.

13 Q. Okay. And was this sentence accurate at
14 the time?

15 A. I believe so, yes.

16 Q. Okay. Do you recall discussing what
17 we're seeing on this page under "An Overview of
18 Ripple Labs" with anyone else at Ripple?

19 A. I don't have specific recollection of
20 discussing this text, but as I mentioned earlier,
21 Patrick Griffin played an active role in reviewing
22 and -- and authoring this document as well.

23 Q. Do you have any reason to believe that
24 anyone at Ripple did not agree that Ripple Labs'
25 incentives were aligned with those of the

1 protocol's users?

2 A. I don't know whether others at the
3 company did or did not believe that at the time.

4 Q. Did you discuss that issue with anyone
5 at the company?

6 A. To the extent Patrick reviewed all this
7 text and worked with me to publish this paper, the
8 two of us certainly discussed it. I don't recall
9 specific discussions about this outside of that.

10 Q. And when -- when it says in this
11 paragraph "users of the protocol," does that
12 include speculators?

13 A. I think a speculator could be
14 categorized as a type of user, yes.

15 Q. Okay. If you can turn to page 23 next,
16 which is Bates numbered 487, and I want to look at
17 the first paragraph on that page, the middle
18 sentence, that says "Ripple Labs' business model
19 is predicated on a belief that demand for XRP will
20 increase (resulting in price appreciation) if the
21 Ripple protocol becomes widely adopted."

22 Do you see that?

23 A. I do.

24 Q. Okay. Was that sentence accurate at the
25 time?

1 A. At the inception of the company that
2 sentence was accurate. Over time Ripple Labs
3 developed other business models as well, but I
4 assume that it was true at the time the paper was
5 written since we published it.

6 Q. And what was your understanding, as you
7 described here, about Ripple's business model
8 based on?

9 A. I'm sorry, could you repeat that?

10 Q. The -- the understanding that's
11 reflected in this sentence about Ripple Labs'
12 business model, what is that based on?

13 A. At the inception of the company, there
14 was no other clear monetization strategy. I think
15 the earliest investors in the company believed
16 that Ripple Labs was going to develop a -- further
17 develop the Ripple protocol and that that may
18 result in demand for XRP and that the asset on
19 Ripple Labs' balance sheet may appreciate.

20 Q. And in 2014 did that continue to be
21 Ripple's business model?

22 A. The specific timing of additional
23 revenue streams in businesses is difficult for me
24 to -- to recall with certainty, but over time
25 other consulting and software serve -- and

1 services businesses became viable revenue streams.

2 Q. And what were those services and
3 businesses?

4 A. We often looked at Red Hat and Linux as
5 two analogous concepts where Linux is an
6 open-source software that's developed by a
7 community of -- of users throughout the world and
8 Red Hat is a service provider that's engaged by
9 companies that deploy Linux to provide consulting
10 and advisory services. And we felt that Ripple
11 Labs could play a similar role for financial
12 institutions that wanted to employ the open-source
13 Ripple protocol.

14 Q. And did -- did Ripple, in fact, play
15 such a role for financial institutions?

16 A. My role at the company was focused on
17 market makers and liquidity, and so I -- I did not
18 negotiate or have visibility into revenue from
19 consulting from financial institutions, but my
20 understanding is that that was occurring, yes.

21 Q. Okay. Turning to page 25, which is
22 Bates numbered 489. So I want to look at the
23 paragraph under the title "Future Demand
24 Potential."

25 So here it says "The Ripple network is

1 still in its infancy and relatively unknown."

2 Do you see that?

3 A. Yes.

4 Q. Was this accurate at the time?

5 A. On a global scale, yes, that's true.

6 Q. Is it not true on some other scale?

7 A. In the cryptocurrency or digital asset

8 community, it was very well known; but on the

9 global financial stage, it was in its infancy.

10 Q. Okay. Then it goes on to say "Likewise,
11 XRP is still fairly complicated for average users
12 to acquire or even completely inaccessible in many
13 parts of the world."

14 Was that an accurate statement at the
15 time?

16 A. I believe so, yes.

17 Q. And then it goes on to say "Increased
18 exposure and a more global network of Ripple
19 gateways could result in increased speculative
20 interest, which may have significant impacts on
21 price."

22 Do you see that?

23 A. Yes.

24 Q. And was this accurate at the time?

25 A. Yes.

1 Q. And when -- when the document refers to
2 "significant impacts on price," is that positive
3 or negative impacts or both?

4 A. I think it deliberately omits whether
5 that's positive or negative.

6 THE REPORTER: Repeat, please.

7 A. I think if deliberately omits whether
8 it's a positive or a negative impact on price.

9 Q. Okay. So would the impact be positive
10 or negative?

11 A. It could be either.

12 Q. Then it goes on to say "Speculative
13 demand and bullish expectations for the future
14 were enough to send XRP and BTC total market
15 capitalization to over \$6 billion and \$23 billion
16 in Q4 2014 respectively."

17 Do you see that?

18 A. Yes.

19 Q. Okay. And was that sentence accurate at
20 the time?

21 A. Without checking the numbers, I assume
22 it's accurate if we published it.

23 Q. Okay. And then it goes on to say "If
24 the Ripple protocol becomes the backbone for
25 global value transfer, Ripple Labs expects the

1 demand for XRP to be considerable."

2 Do you see that?

3 A. Yes.

4 Q. Okay. So what is the purpose of -- of
5 this section of this report under "Future Demand
6 Potential"?

7 A. It's difficult for me to recall the
8 intent, you know, or thought process in writing
9 specific paragraphs of a 45-page paper; but, in
10 general, our narrative in speaking about the
11 Ripple protocol focused on a clearing settlement
12 and value transfer and using technology for that
13 purpose.

14 But after hundreds of meetings, we were
15 definitely aware that XRP was a topic that
16 frequently came up in conversations and we were
17 likely responding to common questions and topics
18 that we fielded after hundreds of meetings on the
19 topics.

20 Q. And did those common questions include
21 questions about the value of XRP?

22 A. Despite our deliberate intent to focus
23 on the technology and value transfer, frequently
24 people ask about XRP and our views on XRP in
25 meetings.

1 Q. Okay. What was the purpose of making
2 this document available to the public on Ripple's
3 website?

4 A. The purpose of making anything public on
5 the website was to reach an audience that we
6 didn't necessarily have direct contact with.

7 Q. Okay. So turning now to page 43 of the
8 document, Bates numbered 5307, and looking at the
9 section "Regulation Remains Unclear."

10 Do you see that?

11 A. Yes.

12 Q. Okay. So here the document says "As
13 with other settlement protocols which involve a
14 digital currency, regulatory uncertainty remains a
15 big hurdle for wide adoption of Ripple.
16 Regulators in the U.S. and abroad are increasingly
17 taking steps to understand, contextualize and
18 regulate digital currencies. As a result, it is
19 still unclear how regulation will ultimately look
20 and how burdensome it will be on digital currency
21 protocols and users."

22 Do you see that?

23 A. Yes.

24 Q. Is this statement accurate as of 2014?

25 A. Yes.

1 Q. Okay. Did you discuss this paragraph
2 with anyone before this document was finalized?

3 MR. HORTON: I just want to
4 clarify for the witness that excludes
5 conversations you've had with lawyers.

6 A. The answer is the same as the other
7 discussions about this document, which is that I
8 recall discussing it with Patrick Griffin in his
9 role as a reviewer and -- and author. I don't
10 recall specific other conversations about this
11 document with others at the firm.

12 Q. Okay. The next paragraph starts "Though
13 the Ripple protocol is very different from other
14 digital currency protocols, it is unclear whether
15 regulation will distinguish between protocols or
16 regulate all digital currencies under one broad
17 brush."

18 Do you see that?

19 A. Yes.

20 Q. What is the statement based on?

21 MR. GULAY: Same instruction on
22 your discussions with counsel. To the
23 extent this is based on your discussions
24 with counsel, you should exclude that from
25 your answer.

1 A. Can you repeat the question, please?

2 Q. What was this sentence that I just read
3 based on?

4 A. The statement that the Ripple protocol
5 is very different from other digital currency
6 protocols is based on the fact that Ripple -- the
7 Ripple protocol includes a decentralized exchange
8 and the ability to have assets created by
9 third-party issuers on the platform, whereas all
10 other digital currency protocols that I was aware
11 of at the time had only one native digital asset
12 and no decentralized exchange or ability for
13 issuers to create new assets.

14 Q. And what about the part -- part of the
15 sentence that says "it is unclear whether
16 regulation will distinguish between the protocols
17 or treat them all the same"? What was that based
18 on?

19 MR. HORTON: Same instruction.

20 A. I don't recall the specific thought
21 process when writing this sentence, but I read
22 that to be a general risk statement that I think
23 would be prudent to write about any digital asset
24 at the time or today even.

25 Q. Moving on to page 45, which is Bates

1 numbered 50 -- 509, and in the section "The Role
2 of XRP," the middle sentence in that paragraph
3 says --

4 A. I'm sorry, which page?

5 Q. Sorry. Page 45.

6 A. Forty-five.

7 Q. So under "The Role of XRP."

8 A. Yes.

9 Q. The middle sentence says "Over time, if
10 the Ripple protocol becomes widely adopted, demand
11 for XRP may increase, leading to an increase in
12 price."

13 Do you see that?

14 A. Yes.

15 Q. And was this sentence accurate at the
16 time?

17 A. Yes.

18 Q. Okay. And why did you include this
19 sentence in this sort of conclusion page of this
20 document?

21 A. It's difficult for me to recall the
22 thought process of how we structured the document.

23 Q. Is it fair to say that given that it was
24 included in the conclusion page, that it's a --
25 it's an important piece of information?

1 MR. HORTON: Objection to form.

2 A. I do think XRP is an important piece of
3 the Ripple protocol.

4 Q. Well, what about the idea that if the
5 protocol becomes widely adopted, demand for XRP
6 may increase leading to an increase in price? Is
7 that idea an important part of what you were
8 conveying in this document?

9 A. I think it accurate -- I think it
10 accurately captures our view that wide adoption of
11 the Ripple protocol may or may not involve XRP
12 price appreciation and our view that use of the
13 Ripple protocol as a settlement layer may or may
14 not lead to an increase in XRP price.

15 Q. Well, but you don't say here may or may
16 not. You say it may increase, leading to an
17 increase in price, right?

18 MR. HORTON: Objection to form.

19 A. That is what the page says.

20 Q. Okay. So were you trying to convey here
21 that if the Ripple protocol is adopted, that could
22 mean that XRP will become more valuable?

23 MR. GULAY: Objection to form.

24 A. I think it's accurate in saying that
25 that is a possibility.

1 Q. Is there a possibility where the Ripple
2 protocol is widely adopted but XRP decreases in
3 price?

4 MR. GULAY: Objection.

5 A. Yes.

6 Q. Can you explain to me how that would
7 happen?

8 MR. HORTON: Objection to form.

9 A. XRP is necessary in very small
10 quantities and low value, low-dollar-value
11 amounts, for anyone to use the network. XRP's
12 adoption as a bridge currency may or may not occur
13 in a widespread adoption scenario of Ripple as a
14 technology.

15 So we were acutely aware of the fact
16 that Ripple technology could be widely adopted as
17 a global settlement layer; but the amount of XRP,
18 say if a hundred million users were using the
19 network and each needed to own a few cents' worth
20 of XRP, that would apply a -- a valuation of 1 or
21 \$5 million for the total sum of XRP, which would
22 be a significant decrease in value. And I
23 believed then and today that that was a plausible
24 outcome in a success state of Ripple's technology.

25 Q. So at the time in 2014, you thought that

1 that was a plausible outcome?

2 A. Yes.

3 Q. Is that what you just said?

4 A. Yes.

5 Q. Did you think it was a more plausible
6 outcome than an increase in XRP's price if the
7 Ripple technology was widely adopted?

8 MR. HECKER: Objection to form.

9 A. I viewed it as highly uncertain both
10 ways and I could see it reasonably going in either
11 direction. I thought it was highly -- a highly
12 risky thesis.

13 Q. Going back to, I think, a similar
14 thought you expressed earlier about a high
15 probab -- probability of it going to either zero,
16 low probability of -- of a hundred X, do you
17 remember that?

18 A. Yes.

19 Q. In your view in 2014, if Ripple had
20 walked away from the Ripple network, what would
21 have -- which outcome would have been more likely,
22 the going to zero or the going to a hundred X?

23 MR. HORTON: Objection to form.

24 MS. BUNTING: Objection.

25 A. If Ripple Labs ceased to exist or

1 disbanded, I'm confident that the Ripple
2 technology would continue to operate, albeit with
3 likely hiccups in a very short -- in the very
4 short term.

5 I do think that in that scenario, in the
6 very short term, the price would be more likely to
7 fall than rise, but I don't think there's a clear
8 statement about the long-term future of the
9 protocol or XRP in the absence of Ripple Labs.

10 MS. STEWART: PR-15 next, Nicole.

11 (Whereupon, exhibit is presented
12 and marked SEC Rapoport Exhibit PR-15 for
13 identification.)

14 MS. STEWART: So PR-15 for the
15 record is 842922 through 842925 Bates
16 stamp.

17 (Pause)

18 MS. FORBES: Can you repeat the
19 number?

20 MS. STEWART: Fifteen, one-five.

21 MS. FORBES: PR-15?

22 MS. STEWART: Yes, one-five.

23 MS. FORBES: Thank you.

24 (Pause)

25 A. Okay. I've reviewed this.

1 BY MS. STEWART:

2 Q. Okay. Who is [REDACTED]

3 A. He's a friend of mine.

4 Q. And does he work for the law firm

5 [REDACTED]
6 A. Yes, he does.

7 Q. Okay. And why were you reaching out to
8 Mr. [REDACTED] on November 4th, 2013?

9 A. In the very early stages of the company,
10 we were eager to explain the technology and share
11 information about the technology with pretty much
12 anyone who would listen, whether that person was a
13 financial market person, a legal professional,
14 totally unrelated to the company. We did not yet
15 know exactly where this technology could be
16 applied functionally.

17 Q. Okay. And did you discuss having
18 Mr. [REDACTED] law firm be a merchant for XRP?

19 A. I see he used the phrase "merchant or
20 vendor." I'm not sure exactly what he meant. I
21 think that verbiage is strange and he didn't yet
22 have an understanding of what Ripple was.

23 Q. Okay. Did you discuss with him the
24 possibility of his firm accepting payments in XRP?

25 A. I see that his e-mail refers to payment

1 by other Ripple network which could be in dollars.

2 I presume it would be in dollars. I don't recall
3 the specifics of a discussion around that given
4 that this was in 2013.

5 Q. Okay. Did the discussions with
6 Mr. [REDACTED] on this point go anywhere?

7 A. Generally speaking, the discussions did
8 not go anywhere. I think we had one or maybe two
9 meetings to discuss the topic of Ripple.

10 Q. Okay. On the second-to-last page of the
11 document, Bates numbered 924, your e-mail that's
12 at 9:37 a.m. to Mr. [REDACTED] So you write "FWIW?"
13 Does that mean for what it's worth?

14 A. Yes, it does.

15 Q. Okay. "This law firm seems to have
16 become the main source of advice in the space.
17 Every bitcoin startup is paying them." And then
18 you send a link to Perkins Coie's website and then
19 you say "Very interesting space, and ripe for
20 regulation."

21 Do you see that?

22 A. Yes.

23 Q. What did you mean when you said "ripe
24 for regulation"?

25 A. In general, market participants at the